

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1165(2)

In the Matter of)	
)	
AVISTA CORPORATION)	ORDER
)	
Requests reauthorization to defer certain costs)	
associated with demand-side management)	
programs.)	

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION
APPROVED**

On May 15, 2006, Avista Corporation (Avista) filed an application with the Public Utility Commission of Oregon (Commission) requesting it reauthorize the deferral of certain costs associated with demand-side management programs. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A and incorporated by reference.

At its Public Meeting on June 27, 2006, the Commission adopted Staff's Recommendation and approved Avista's request.

ORDER

IT IS ORDERED that Avista Corporation's deferred accounting reauthorization request for revenue requirements and lost margin revenues associated with the company's Commission-approved energy efficiency programs for the 12 months beginning July 1, 2006, is approved. This approval is for accounting purposes only, and does not constitute approval for ratemaking purposes.

Made, entered and effective JUL 07 2006.



BY THE COMMISSION:

Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE July 1, 2006

DATE: June 6, 2006

TO: Public Utility Commission

FROM: Carla Owings *CO*

THROUGH: *W* Lee Sparling, *EB* Ed Busch and *JJ* Judy Johnson

SUBJECT: AVISTA CORPORATION: (Docket No. UM 1165 (2)) Requests reauthorization to defer certain costs associated with demand-side management programs.

STAFF RECOMMENDATION:

Staff recommends the Commission approve reauthorization of Avista Corporation's deferrals of conservation or energy efficiency costs for a twelve-month period beginning July 1, 2006.

DISCUSSION:

On May 15, 2006, Avista Corporation (Avista or Company) submitted an application requesting the Commission reauthorize the deferral of certain costs associated with demand-side management programs (DSM).

Order No. 93-1881 authorized Avista Corporation to defer revenue requirements and estimated revenue margin losses associated with its DSM investment, and to establish an annual rate adjustment mechanism to reflect the deferred costs in rates on a timely basis. This authorization was for the twelve-months ending December 31, 1994. Subsequently, the Commission reauthorized DSM-related deferrals, each year through June 30. Current authorization for this deferral extends through June 30, 2006, pursuant to Order No. 05-819.

Deferral of DSM program investment costs and associated net lost margins is consistent with the Commission's policy to remove the significant disincentives to acquiring DSM relative to supply-side resources. ORS 757.262 allows the Commission to "...adopt policies designed to encourage the acquisition of cost-effective conservation resources."

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Without deferral and recovery of these direct and indirect costs of DSM, the company would again have a disincentive to acquire cost-effective conservation.

The Company proposes to account for these costs in a sub-account of FERC Account No. 186 and lost margin revenue in a sub-account of FERC Account No.182 and to calculate interest at its authorized cost of capital, or 8.88 percent, on the average net balance.

The Company estimates it will defer approximately \$750,000 - \$800,000 in conservation costs and \$80,000 to \$90,000 of lost margin revenue during the twelve-month period ending June 30, 2007.

PROPOSED COMMISSION MOTION:

Avista Corporation's deferred accounting reauthorization for revenue requirements and lost margin revenues associated with the company's Commission-approved energy efficiency programs be approved for the twelve-month period beginning July 1, 2006.

Avista DSM 06